

# MAIN STREET PRACTITIONER

The Magazine for Tax and Accounting Professionals



## Using *Small* as an Advantage When Hiring

**Achieving Ultimate Efficiency with a  
Paperless Tax Workflow**  
Six Best Practices that Get You There

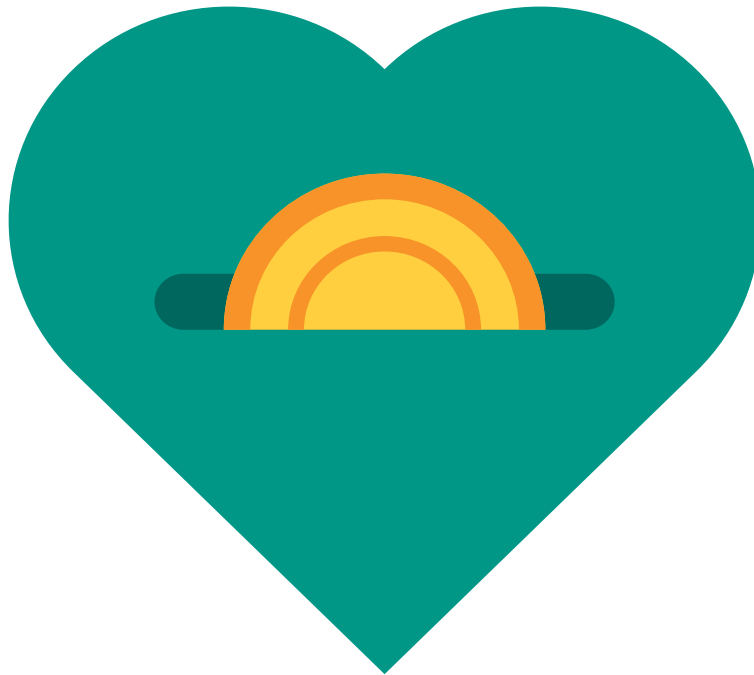
**Poll Results: What are your priorities  
as you prepare for tax season?**

*New*

## Main Street Tax News

Welcome to our new  
regular columnist,  
Andrew Poulos, EA





**BECAUSE YOUR COMPANY RUNS  
SMOOTHER AND EFFICIENTLY,  
IT ULTIMATELY SAVES YOU MONEY.**

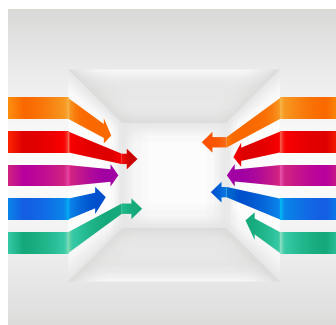
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**USING SMALL AS AN  
 ADVANTAGE WHEN  
 HIRING**



# Main Street Practitioner

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National Society of Accountants

**2012 - 2013**

**Income & Fee Survey**  
*available now!*

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*By Harlan Rose*



I had the opportunity as, NSA President, to attend the 2012 Annual NASBA meeting in Orlando, FL, on October 28 – 31. During the sessions, a compilation discussion related to our accounting profession took place. In the future, compilation work may be brought forth to incorporate it into an attest function limiting financial statement preparation. This will be watched by NSA and it's effects for smaller CPA firms and unlicensed accountants.

NSA's Membership Committee held a face-to-face meeting on November 15 – 16 in Alexandria, VA. First VP Hanson and I attended to assist in the planning of future NSA member needs. Thank you to Chair Kathy Hettick, committee members, and NSA staff for your dedicated input and ideas during the meeting. The 2011 Member Needs Survey was a valuable resource and was thoughtfully considered during much of the discussions.

I then proceeded to Orange County, CA to attend the California Society of Tax Consultants (CSTC) Board meeting on November 19. John Ams, Governor X Chris Freeland, and I were there to comment and answer any questions CSTC had for NSA on an agreement to become the new NSA Affiliated State Organization (ASO). Plans were finalized for how current CSATP members will incorporate into the CSTC chapters and how to handle details, such as future events. An affiliation agreement was signed between CSTC and NSA, so it now needs to be approved by the NSA Board.

The IRS Nationwide Tax Forum plans for 2013 are still not set. NSA provides quality speakers and has a presence as an exhibitor to service current members and for

the recruitment of new members. Stay tuned for updates as soon as we know more on upcoming dates for 2013 Forums.

Always keep in mind that many of your fellow NSA member volunteers continue to dedicate time and effort for the future of NSA and for our profession. Take time to visit our NSA website and how the NSA Mission Statement relates to you.

Truly yours in NSA,

A handwritten signature in dark ink that reads "Harlan Rose". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Harlan Rose, EA, ABA  
NSA President 2012-2013

# LEGISLATIVE LINK

## PTIN AND RTRP STATISTICS

As we all know, individuals wishing to become Registered Tax Return Preparers must take and pass the minimum competency examination by the end of 2013. IRS statistics, issued by the Return Preparer Office, point out that only 44,270 individuals have passed the test while more than 300,000 PTIN holders have yet to do so. At the very least, NSA encourages those needing to take the test to make a reservation at a test site. These test reservations may be made up to six months in advance, so prime slots in May and June may be made now. Don't be left out by waiting until the end of 2013 to try and find an open seat at a Prometric test facility! The IRS statistics, as of December 10, are set out below.

Number of Individuals with Current PTINs for 2012†		739,061
Professional Credentials‡		
Attorneys	33,270	
Certified Public Accountants	220,976	
Enrolled Actuaries	555	
Enrolled Agents	47,042	
Enrolled Retirement Plan Agents	623	
Registered Tax Return Preparers	44,270	
Other Categories		
Supervised Preparers	61,222	
Non-1040 Preparers*	50,895	
Preparers with provisional PTINs who have not yet passed the RTRP test	304,077	

† Cumulative number of individuals issued PTINs since 9/28/2010: 884,517

‡ Some preparers have multiple professional credentials.

\* These numbers do not include attorneys, certified public accountants, or enrolled agents. Also, preparers may be both supervised and non-1040 filers.



*John G. Ams, CAE  
Executive Vice President  
National Society of Accountants  
Alexandria, VA*



# Firm Focal Points for the New Economy

*By Sandra Wiley*

**A**re you feeling more confident in the economy? Many are saying they are cautiously optimistic and the overall barometer is edging up, albeit slowly. Are you starting to have visions of the “old days” when you were so swamped with new clients that you could not keep up with the demand? Remember also your desire to hire new staff and your inability to find anyone at any level. We were hanging on to our staff by paying signing bonuses, increasing our benefit packages, insuring they had valuable training and even offering on-site massages during tax season.

The climate changed and many of those benefits and good feelings went away. Firms began to get more conservative. We managed expenses more closely, laid off staff, the massages went away and we became more focused on solid firm management principles. Now that we are starting to feel a little relief, will you be tempted to let go of those solid management principles? I would encourage you to relax, but not let go. Keep your eye on the strategies that will become a part of your long-term culture, not just a part of a temporary strategy.

**LEADERSHIP IN FIRMS HAVE ALWAYS KNOWN THAT THE FIRM IS BUILT ON STRONG CLIENT RELATIONSHIPS AND MOST HAVE SUBSCRIBED TO THE IDEA THAT STRONG INTERNAL RELATIONSHIPS ARE NECESSARY ALSO.**

Let's look at the foundational strategies that might have become a habit over the past few years that you should hold tight to as the recovery continues.

**FOCUS ON STRATEGIC FIRM INITIATIVES:** Firms have worked hard to look at specific strategies that will drive firm growth, increase top talent, and improve processes as well as develop technology initiatives that support the overall firm strategies. The plan was the roadmap that was used to maneuver through the tough times and now will guide you through the more prosperous ones.

**FOCUS ON INTERNAL AND EXTERNAL RELATIONSHIPS:** Leadership in firms have always known that the firm is built on strong client relationships and most have subscribed to the idea that strong internal relationships are necessary also. That formula is certainly not retreating now that the economy is beginning to recover. Emphasis on internal and external relationship building is essential to the continued growth of the firm.

**FOCUS ON CREATING VALUE NOT JUST SELLING THE NEXT DEAL:** Growth is always a part of the public accounting practice, and during economic stress, the firms natural tendency is to have a laser focus on growth strategies. The growth strategies must continue with the same intensity and commitment by the leadership group.

**FOCUS ON NEW OPPORTUNITIES:** When stressful times are in our midst, we search outside the box for new opportunities out of desperation to find new services and new streams of revenue. Don't let that intensity stop simply because the pressure is off. Keep encouraging your partners and team to look for new opportunities that will give your firm a vision to pursue.

**FOCUS ON PROGRESS, NOT PERFECTION:** When the whole world is spinning out of control and the firms stays flat everyone pats you on the back and says you are doing

ok. Now that the world is slowing down, some will have a tendency to move into the “we have to get back to 20% per year growth – NOW!” Slow down and remember that progress is good and some growth is far better than flat. Perfection is a dream that can soon turn into a nightmare, so continued improvement is your goal.

**FOCUS ON YOUR TALENTS AND YOUR ABILITY TO COLLABORATE:** We are a profession that started out as a group of rough individualists and have learned that teams, collaboration, and groups are far more efficient and effective to complete projects. The momentum exists, so continue the path and expand the groupthink that is working so well in your firm already.

**FOCUS ON BEING GRATEFUL:** Gratitude for team members, clients, projects, peers and partner group becomes much clearer when times are tough. Work hard to continue to see the amazing resources around you and make a special effort to tell them how grateful you are to have them in your circle of influence.

**FOCUS ON CREATIVITY:** Creativity within the firm often comes from a position of stress, and the firm may have developed some creative new processes, services, task forces and projects over the last few years. Don't let the creativity stop. Encourage your entire workforce to look for ways to improve the firm creatively by finding ways to do things faster, cheaper, easier, and better.

**FOCUS ON LEADERSHIP:** Firm leaders have been forced to give up some control, responsibility, and authority to other talented individuals in the firm with the reduction in workforce and the emergence of top talent at the manager level. Leadership exists throughout the firm so don't back off of that emerging trend now. Continue the strategy of developing your top talent into the future leadership group in your firm.

**SLOW DOWN AND REMEMBER THAT  
PROGRESS IS GOOD AND SOME GROWTH  
IS FAR BETTER THAN FLAT. PERFECTION  
IS A DREAM THAT CAN SOON TURN  
INTO A NIGHTMARE, SO CONTINUED  
IMPROVEMENT IS YOUR GOAL.**

**FOCUS ON TECHNOLOGY SOLUTIONS:** We all realize that technology is an accelerator for almost every initiative in the firm. Technology sometimes will ebb and flow in the firm if the leadership group does not see it as an asset. Don't let technology become a simple expense line on the P&L statement. Insure that it stays on the asset column on the spreadsheet.

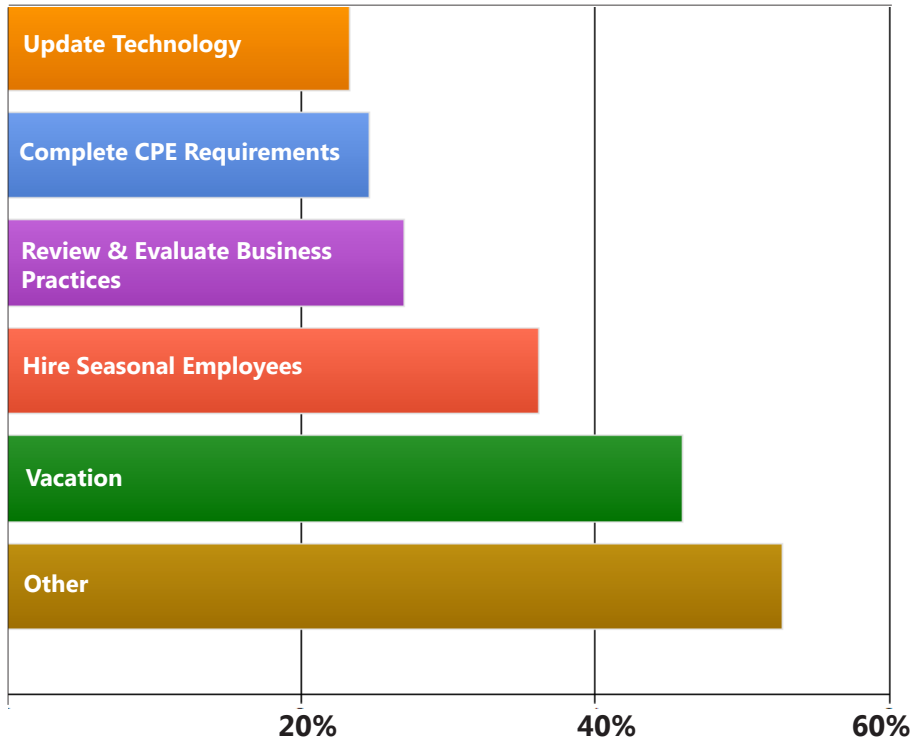
The time for strategic thinking is now. Take the focus challenge and continue to build on the habits that you have developed over the last few years. This continued focus will serve your firm well for the long-term.



---

Sandra Wiley  
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In a recent poll, we asked members what their priorities will be as they prepare for tax season. The chart to the left illustrates the responses received.

A lot of responders said they were taking a vacation, however, the #1 response was, "Other." Inquiring minds want to know—what was not included in the options that should have been? Let us know by sending an email to [jjoy@nsacct.org](mailto:jjoy@nsacct.org) with "NSA Poll" in the subject line. We appreciate your feedback!

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# HOT TOPICS AND TIPS FROM OUR TAX DESK

*By Deborah Aiken, CPA, JD*

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### APPRECIATED PROPERTY IN S OR C CORPORATION

Due to section 311 and the rules for corporate liquidation, it is close to impossible to get appreciated property out of corporate solution and into the shareholders' hands without paying tax. In some cases, appreciated property can be moved to another entity without paying current tax using a divisive reorganization, but the property would be in another entity – not in the possession of the individual shareholders. This applies equally to C corporations and S corporations.

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### BUILT IN GAINS TAX AND INSTALLMENT SALES

C corporations converting to S corporations are subject to the Built in Gains Tax, the BIG tax, on the sale of appreciated property that was transferred to the S corporation. Selling the property using an installment sale that ends after the BIG tax applicable period will not avoid the BIG tax as per regulation section 1374-4(h).

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### DEMOLISHED BUILDINGS

Generally an owner or less gets no deduction for either the cost of demolition or any loss sustained because of the demolition, but the basis of the underlying land is increased by the adjusted basis of the demolished structure plus the net cost of demolition as per section 280B.

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### WHO SIGNS PARTNERSHIP RETURN

Any partner can sign an initial return (see section 6063) but the 1065 instructions and form 3402 say that a member-manager must sign for an LLC. However, an amended return (administrative adjustment request is not under section 6063 but under 6227(c)(1), which says it has to be a TMP and that appears to apply to LLCs taxed as partnerships.

If a corporation pays a shareholder's personal expenses, provides services to a shareholder, or allows a shareholder to use corporate property for personal use, it is treated as a distribution to the shareholder. Even if the corporation provides those benefits for other people for the shareholder's benefit, it is a distribution to the shareholder. It generally is taxed as a dividend. As a result, the distribution is ordinary income to the shareholder to the extent of the corporation's earning and profits, reduces the shareholder's stock basis if the distribution exceeds earnings and profits, and is a capital gain if the distribution exceeds both earnings and profits and the shareholder's stock basis.

## Is Your Officer Compensation Reasonable?

**W**hen the economy changed and tax revenues declined, Congress and the Treasury Department put pressure on the IRS to generate additional tax revenues. The results? The IRS issued its opinion regarding higher audit enforcement.

One of the areas of high enforcement is officer compensation for shareholders of Subchapter S Corporations—and this topic is on the IRS hot list. Oftentimes, people misinterpret the Internal Revenue Code (IRC) and Treasury regulations. The code and regulations are vague and don't clearly define reasonable compensation for shareholders. In other instances, shareholders of S Corporations abuse the law in order to generate a tax savings' benefit. The consequences of misinterpretation or abuse of the law can be quite costly if a business gets under audit for reasonable officer compensation. The liability can add up to be as much as two to three times what would have been due originally—had reasonable compensation been paid.

Although the IRC does not define what constitutes reasonable officer compensation, it does state that shareholders of S Corporations are included within the definition of employee for FICA (Federal Insurance Contributions Act), FUTA (Federal Unemployment Tax Act) and federal income tax withholding. The law requires corporate officers (shareholders) who perform services for the corporation, and receive or are entitled to receive payments, to have their compensation considered as wages.

In addition, courts have consistently held that officers/shareholders of S Corporations who provide more than minor services to their corporation and receive or are entitled to receive compensation, are considered employees and the payment is considered taxable for federal employment tax purposes.

If this is the case, then why is the law vague as it relates to reasonable compensation? The more the gray area in tax law, the easier it is for the IRS to increase audit enforcement and generate new tax revenues during a challenging

economic environment—such as the one that we are currently experiencing.

Since there are no specific guidelines for reasonable officer compensation outlined in the IRC or the Treasury Regulations, audits can be reviewed on a case by case basis. It is difficult for the IRS to use one case as precedence for future cases because no two business owners operate their business in an identical manner, and no two officers allocate the same number of hours or contribute the same services to their corporation. No two businesses generate the same revenues, so what is reasonable for one business to pay its shareholders may not be reasonable for the other.

The courts that have ruled on reasonable officer compensation cases based their determinations on the facts and circumstances of each case. Nine factors the courts considered in providing rulings for reasonable compensation cases include:

1. Duties and responsibilities of the shareholder.
2. The time and effort the shareholder devotes to the business.
3. Training and experience of the shareholder.
4. What comparable businesses in the industry pay for similar services.
5. Dividend history.
6. Payments provided to non-shareholder employees.
7. Compensation agreements.
8. The timing and manner of paying bonuses to key people in the corporation.
9. Any formula used to determine compensation.

In addition, the IRS will consider fringe benefits paid to shareholders as compensation in a reasonable officer com-

pensation audit. For example, health insurance premiums paid on behalf of greater than 2 percent shareholders of S Corporations are considered fringe benefits that are reportable as wages for federal income tax withholding purposes on the shareholders' W-2, but are not subject to Social Security and Medicare (FICA), and federal unemployment taxes. There are other fringe benefits that can be considered income; however, health insurance is the hottest one at the current time for Congress and the IRS.

I have had the great fortune to have favorable outcomes in officer compensation audits that I have represented. They don't all conclude with positive outcomes for our clients, but it does make our job easier in representing reasonable officer compensation examinations when our clients maintain accurate and detailed record keeping that we can use to justify why the officer compensation paid was reasonable. Due to the current economic and political landscape, we should expect to see a substantial increase in reasonable compensation audits. This topic is, and will continue to be, on the forefront of the IRS hot audit list.

I highly recommend that you consult with your clients to review their policies, procedures and record keeping, and help them identify what is reasonable for their industry and the services they provide to their corporation. What was reasonable several years ago may not be reasonable today. Perhaps the compensation they paid themselves prior to the recession is too high in today's marketplace—or maybe not enough if they were not paying reasonable compensation from the get-go.

As the economic and political environment changes, we must also help our clients adapt and make changes that will help them better manage their business and provide some audit protection. Whether this boils down to making changes to officer compensation, providing new avenues for tax savings or simply maintaining better records, we are the professionals who our clients rely on to provide good guidance within the law. Prepare your clients for a potential reasonable officer compensation audit that may come knocking on their door.

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For additional information on this topic, see the article, ***Court: FICA Applies to Reasonable Compensation" Paid by S Corp***, from the March 2, 2012 NSAlert, located in the NSAlert Resource Library. [Click here to read it now.](#)



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*Andrew Poulos, EA, is principal of Poulos Accounting & Consulting, Inc., in Atlanta, Ga., where he focuses working with tax clients and representing clients before the IRS. Andrew is the producer of the QuickBooks Ultimate Lesson Guide DVD Series being marketed nationally through wholesale and retail distribution channels. He is also founder of Elite Tax Seminars, a division of Poulos Accounting & Consulting, Inc. Contact him at [www.poulosaccounting.com](http://www.poulosaccounting.com).*



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**DIRECTORY** – Get quick access to your fellow NSA members. Search the directory by first name, last name, or company. Call and email fellow members directly from the app or touch their address to see their location on a map on your smartphone.

**NEWS** – Read the latest tax, accounting, and NSA specific news, stay connected with the NSA Twitter feed, read NSA staff and member blogs, and view new additions to the document libraries.

**EVENTS** – Stay on top of upcoming NSA events, including webinars, ASO events, committee meetings, and more.

**DISCUSSIONS** – Collaborate with other NSA members, ask questions, and get answers. Tax Talk and other discussion groups that you are subscribed to on NSA MemberConnect are available on MobileNSA. Once logged in, you can post new messages, reply to another member's messages, or simply follow discussions.

**MESSAGES** – View and respond to messages you've received from other NSA members on MemberConnect.

**CONTACTS** – Save NSA member contact information to your smartphone or mobile device address book. You can also call or email a fellow member directly from MobileNSA!

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### NSA SCHOLARSHIP FOUNDATION IS NOW ACCEPTING APPLICATIONS FOR 2013 SCHOLARSHIPS

[NSA Scholarship Foundation](#)

#### *Earning*

Each year, the NSA Scholarship Foundation awards outstanding students with scholarships based on several criteria, including overall academic record, honors, demonstrated leadership and participation in school and community activities, work experience, stated goals and aspirations, and financial need.

Since 1969, the Foundation has provided nearly \$1 million in scholarships. Scholarship applications for the 2013-2014 academic year must be postmarked by March 10, 2013, and sent to Scholarship Management Services, a division of Scholarship America, which is managing the application process.

The scholarship application guidelines and additional information can be found online. To visit the NSA Scholarship Foundation Webpage, go to: <http://www.nsacct.org/Education/NSAScholarshipFoundation/tabid/6976/Default.aspx>

Please consider passing this information on to anyone in your area that would benefit from this opportunity.

#### *Giving*

The Scholarship Fund is the result of many generous contributions from individuals, businesses and organizations. A number of scholarships are awarded in honor or memory of these benefactors.

The Foundation welcomes special donations honoring an individual or commemorating a special event, as well as designated scholarships and grants. For more information on giving opportunities visit the Scholarship Foundation Webpage: <http://www.nsacct.org/Education/NSAScholarshipFoundation/tabid/6976/Default.aspx> or questions can be directed to Sally Brasse at [sbrasse@nsacct.org](mailto:sbrasse@nsacct.org).

## WHAT IS HAPPENING ON MEMBERCONNECT THIS MONTH? *CONNECT, COLLABORATE, COMMUNICATE*

*MemberConnect*

### Discussions

Tax Talk continues to be a huge success and a valued resource by NSA members. The discussion archives, with almost 19,000 entries, offer a wealth of information for research purposes. Here are just a few of the most recent topics:

- IRS RTRP Exam
- Child Tax Credit
- Sales Tax on Home Sale
- Farm Income
- Foreign Wage Income Earned
- Hobby Income & Expenses
- Tax Implications for Hair Salon Workers

### Resource Library

View the many resources available to members in the numerous libraries. Search through all libraries, or delve into a specific one to find just what you are looking for. For example, there are over 230 client letters in the Client Letter Library. The letters are on a variety of topics, both commonly used and some hard to find ones as well.

Separate libraries house sample tools and forms, such as engagement letters, and articles on practice management, tax, and accounting topics, as well as new technology information. Visit the Resource Library often to enhance your practice management efforts. Remember to log in first so you have access to the numerous members only resources.

### NSA Blog

Become a blogger or share your current blog entries on the NSA website. We welcome members to share their expertise with fellow peers in this simple-to-use forum. Visit the NSA Blog page at: <http://connect.nsacct.org/NSACCT/Blogs/NSABlog/>.

View some recent articles on Blogs to familiarize yourself with this forum. Click on these links to read the following helpful articles on blogging: [Blog to Boost Your Accounting Practice](#) and [What is a Blog?](#)



## STAY CONNECTED WITH NSA ON SOCIAL MEDIA



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[facebook.com/nsacct](https://www.facebook.com/nsacct)



This networking site is a great resource with over 85 million trusted users who are professionals exchanging information and ideas.

Many companies use LinkedIn for sales, marketing, recruiting, and advice to strengthen their business. Join the NSA LinkedIn group and get access to industry news and a great opportunity to network with other tax and accounting professionals. <http://www.linkedin.com/groups?mostPopular=&gid=90627>



Follow @NSAtax to stay updated on tax and accounting information as soon as it becomes available from the IRS and other top news sources,

in addition to helpful practice management and workflow articles from industry thought leaders. NSA Twitter account: <https://twitter.com/NSAtax>

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1

### CREATE A PROFILE

- Add a [profile photo](#)
- Take a few minutes to list your current and previous positions and experience
- Add your education experience
- Create a personalized [summary paragraph](#): “pitch” yourself

2

### FIND COLLEAGUES AND FRIENDS

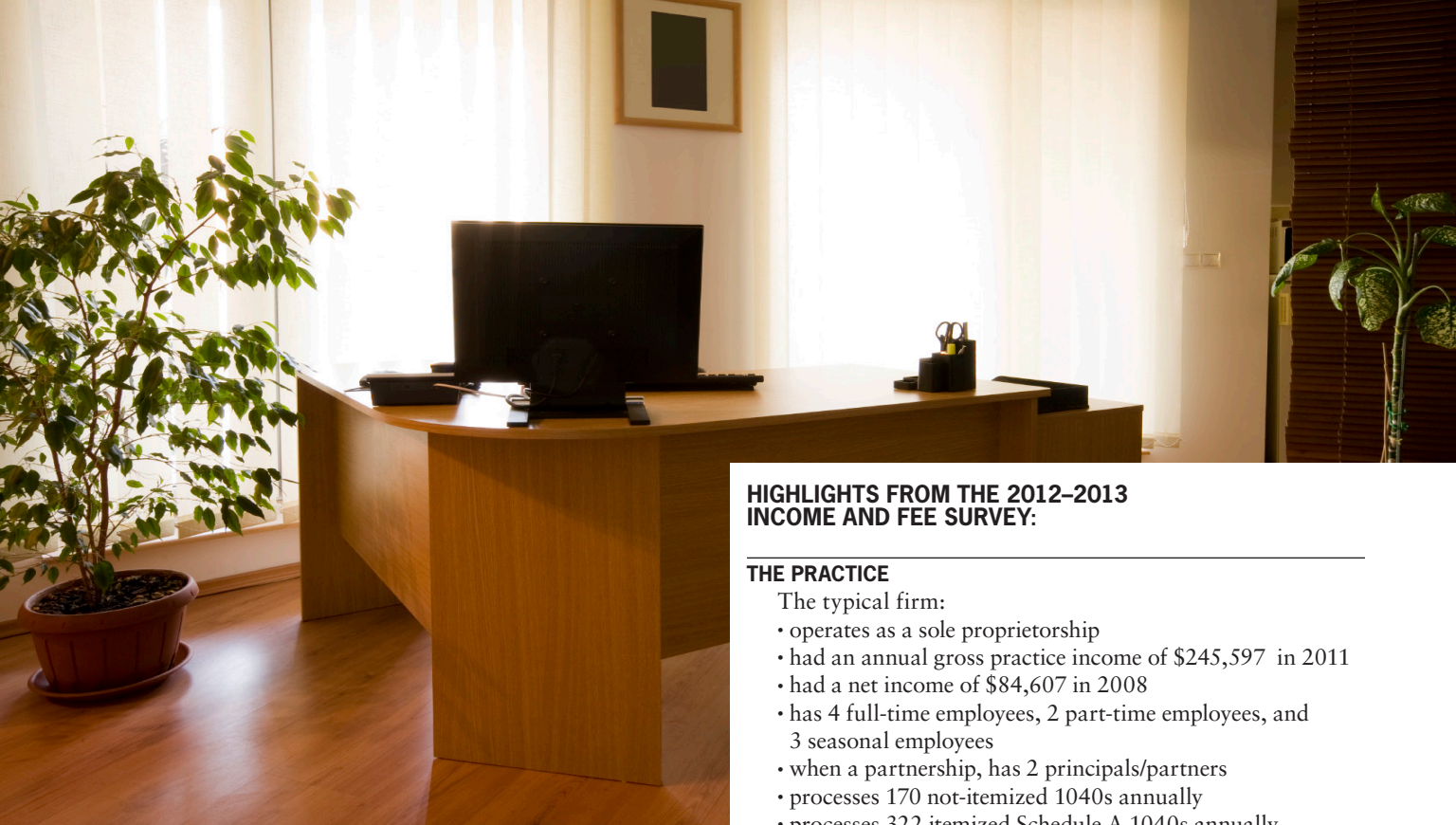
- Use the [webmail import](#) function to find existing LinkedIn users
- Upload your Outlook contacts and find connections
- Find classmates and colleagues

3

### USE YOUR NEW PROFILE TO:

- Network with other tax and accounting professionals
- Search in “Service Providers” to find trusted recommendations from people in your network
- Join common interest groups, have discussions, post and read industry and practice related news
- Search for and post jobs as an employer or as an individual seeking employment

<http://www.linkedin.com>



## NSA 2012–2013 Income & Fee Survey Report

**T**he NSA conducts a comprehensive, biennial income and fee survey that is sent to over 8000 successful practitioners from across the country. Creation of the 2012–2013 Income and Fees Survey, the 15th edition, is complete.

You can use this tool to help see how your fees compare to the competition. The new 2012–2013 Income and Fee Survey contains detailed information on fees charged for various services, broken down by state, census geographic regions, and practice size. The survey also includes information on salaries and compensation for principals/partners, practitioners, and support staff, as well as fringe benefits. Demographic data on the respondents describe type of practice, community size, gender, credentials, years in practice, and education level. Operating expenses broken down by category are included, in addition to information on succession planning and dispute resolution.

### HIGHLIGHTS FROM THE 2012–2013 INCOME AND FEE SURVEY:

#### THE PRACTICE

The typical firm:

- operates as a sole proprietorship
- had an annual gross practice income of \$245,597 in 2011
- had a net income of \$84,607 in 2008
- has 4 full-time employees, 2 part-time employees, and 3 seasonal employees
- when a partnership, has 2 principals/partners
- processes 170 not-itemized 1040s annually
- processes 322 itemized Schedule A 1040s annually
- derives nearly 61% of its gross income from the preparation of federal/state tax returns
- charges an hourly fee of \$138 to represent clients before the IRS
- uses personal interviews to collect data from clients
- expects to see a 6% increase in tax preparation fees in 2013
- is 43% paperless
- salaries/benefits represent 40% of total expenses
- devotes 11% of annual expenses to technology products

#### FEES: FEDERAL TAX RETURNS

The typical firm charges an average of:

- \$59 for a Form 940 (Federal unemployment)
- \$143 for a Form 1040, not itemized
- \$246 for an itemized Form 1040
- \$468 for a Form 1041 (fiduciary)
- \$444 for a Form 5500 (pension/profit sharing plans)
- \$556 for a Form 1065 (partnership)
- \$628 for a Form 990 (tax exempt)
- \$717 for a Form 1120S (S corporation)
- \$759 for a Form 1120 (corporation)

#### BILLING PRACTICES

The typical firm:

- bills at the end of the job (61%)
- accepts credit cards for payment of services (30%)
- offers a free initial consultation with prospective clients
- utilizes progress billing (23%)
- has 64.1% of all clients receiving tax organizers, 68.2% are individuals, and 35.4% are business clients
- one in five practices has employee manuals

To download the NSA 2012–2013 Income and Fee Survey, click here:  
[NSA Income and Fee Survey.](#)



## NSA PREPARES TO LAUNCH AN UPDATED WEBSITE

[www.nsacct.org](http://www.nsacct.org)



BOOKSTORE



CALENDAR



MEMBERCONNECT



FIND A PROFESSIONAL

We are excited to announce a redesign of the NSA website, set to launch in early 2013. We are still putting the final touches on this upgraded site. While the overall look will be similar to what you are accustomed to, the new NSA website will offer a better user experience with quick and easy access to essential information specific to NSA as well as the latest industry news. This update is part of the association's ongoing efforts to enhance the quality and availability of information to members and tax and accounting professionals nationwide.

### What Will Change

- ❖ The homepage will have a new design that makes visiting the most frequently used webpages easier with quick links, such as the buttons above.
- ❖ Finding what you are looking for will become quicker through more intuitive menu options.
- ❖ A rotating banner on the homepage will provide you with timely information on the latest promotions and events.

### What Will Not Change

- ❖ The web address for the site will remain [www.nsacct.org](http://www.nsacct.org).
- ❖ NSA MemberConnect will remain the members area for the organization, and will not change.
- ❖ Your login information will remain the same.

If you have never logged into the website, your member benefits are waiting for you! Sign on today to make the most of your membership. If you need assistance, we are here to help. Contact Member Services at 1-800-966.6679.

Watch for more details to come on this exciting update!





**F**or small businesses, competing in the hiring game against larger companies is a perennial challenge. When it comes to recruiting skilled workers, larger companies not only have greater financial and personnel resources to recruit skilled workers, but, typically, also have the wherewithal to offer generous benefits, including healthcare and 401(k) options. Many big firms also have resources to invest in their employees' professional development and greater cachet.

However, with creative, comprehensive recruiting techniques and effective retention policies, you can attract highly skilled candidates who become long-term, loyal staff. Here are some ideas to help you take advantage of your strengths and add more power to your recruitment efforts:

Make "small" a selling point. When talking to candidates, be sure to highlight the many benefits of working for a small business. For example:

Because your staff is small, your employees often perform functions beyond their stated job descriptions. This enables them to rapidly acquire new skills and develop a broad range of abilities.

Every employee has the opportunity to directly and significantly affect the bottom line.

Staff members are like family, and the company truly cares about each employee's job satisfaction and professional growth.

Talented employees can quickly advance to senior-level positions, keeping turnover low and job satisfaction high.

Develop "brand" awareness. You can create a pipeline of skilled candidates by making your small business visible and top-of-mind in your market. This entails building your company's reputation in a particular area, such as outstanding customer service, the creation of cutting-edge software applications or flexible scheduling for employees.

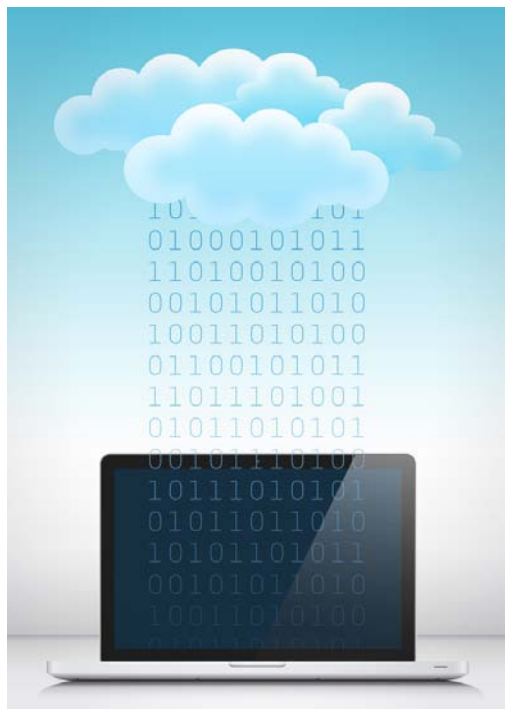
Leverage your website. Here you can post detail-rich information about your company's mission, culture, history, successes, ongoing community involvement, current activities and so forth. Other ways to increase your company's visibility include executive bylines in business and trade publications, website content on topics in which your company has expertise, and sponsorship of forums or workshops for professionals in your industry.

Use every resource. If you need someone for a credit and collections position, for example, participate in an association specializing in this sector and place ads in publications or at job banks that are geared to such professionals. And don't forget that your staff can help you find candidates. Encourage your current employees to tap their own professional networks by awarding cash bonuses for referrals that result in a hire.

**WHEN TALKING TO CANDIDATES,  
BE SURE TO HIGHLIGHT THE  
MANY BENEFITS OF WORKING  
FOR A SMALL BUSINESS.**

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# Achieving Ultimate Efficiency with a Paperless Tax Workflow

Six Best Practices that Get You There

*By Ed Jennings*

**S**treamlining workflow is a constantly neglected to-do item for many firms, especially as client demands increase and new regulations continue to come down the pike. With all that is involved, the complexity of the average firm's tax workflow can seem overwhelming. Throw in the ongoing shortage of professional staff with the pressures of tax season deadlines and it's easy to understand why firms continue to prepare returns using the "old ways" that have worked for them in the past. However, in the tax and accounting industry time is money, which is why accountants are always searching for ways to improve efficiency in their firms. These *Six Best Practices* are the key steps that will ease the transition to a paperless tax workflow.

For firms that have moved to a paperless tax workflow, the efficiency gains have been phenomenal—some reporting time savings of up to 45-minutes per return. With the time saved, tax professionals are focusing on higher value activities and delivering better customer service to differentiate and grow their practices.

Achieving results such as these is possible, and it's easier than you might think. Firms that are running at peak efficiency are those that have implemented the following best practices:

## **1** SCAN CLIENT DOCUMENTS BEFORE PREPARATION

Scanning is the first step towards achieving the benefits of an automated tax workflow. By scanning client documents on the front-end of the preparation process, firms position themselves for the efficiency gains that come from using electronic source documents.

Scanning up-front creates a digital library of documents that can be immediately accessed throughout tax season. With source documents stored electronically, administra-

tive staff can fulfill client requests in seconds during busy season—without interrupting billable work. When additional client documents arrive late, staff can easily scan and add them to the first set of documents. And finally, scanning eliminates the need for photocopying—reducing paper and filing cabinets and eliminating boxes of documents scattered on the floor.

## **2** INVEST IN A FAST SCANNER

Scanning is an integral component of a highly efficient tax process; therefore, tax professionals should invest in a professional quality scanner to drive that process. A high-speed scanner is recommended—one that is designed for scanning documents and can scan both sides of the page simultaneously at 30-40 pages per minute.

What separates a document scanner from other types of scanners and multifunction devices are the advanced features that make it easy to scan tax documents. A document scanner can easily scan different sized documents from business card to legal size.

**SCANNING IS AN INTEGRAL COMPONENT  
OF A HIGHLY EFFICIENT TAX PROCESS;  
THEREFORE, TAX PROFESSIONALS SHOULD  
INVEST IN A PROFESSIONAL QUALITY  
SCANNER TO DRIVE THAT PROCESS.**

A document scanner also includes advanced paper handling mechanisms to avoid misfeeds and paper jams so firms can scan with confidence—ensuring every page in a pile of documents is scanned.

THE DAYS OF THE ONE-MONITOR DESKTOP ARE COMING TO AN END, AND FOR TAX PROFESSIONALS THAT HAVE EXPERIENCED A DUAL MONITOR SETUP, THERE IS NO GOING BACK. THE VALUE OF BEING ABLE TO QUICKLY VIEW MULTIPLE PROGRAMS AND DOCUMENTS SIMULTANEOUSLY CANNOT BE OVERSTATED.

Firms should also consider the “daily duty cycle” for a scanner. The duty cycle indicates how many pages per day the scanner is designed to scan. A low cost scanner may only be designed to scan 200-300 pages per day, which may not deliver the reliability needed to get through tax season. Consider how many pages need to be scanned during tax season.

Good document scanners are more affordable than ever before, and don’t forget to consider the software that comes bundled with the scanner. Many high-end scanners include a copy of Adobe® Acrobat® Standard, which is used for scanning as well as annotating and tick marking source documents. The Fujitsu® 6130 is recommended as one of the best scanners for tax professionals. This scanner delivers fast double-sided scanning with advanced features that make it easy to scan tax documents at an affordable price.

**3 AUTOMATICALLY ORGANIZE SCANNED TAX DOCUMENTS**  
There are solutions that will automatically organize and index scanned tax documents—eliminating the time consuming manual task of sorting and identifying client documents. “Scan and organize” solutions automatically identify scanned tax documents and deliver them in an organized, bookmarked PDF file that makes it easy to find and review any tax document. These solutions will correct the orientation on documents that are scanned upside down or sideways. Blank pages and miscellaneous documents can be automatically identified in order to scan a pile of client documents without having to sort through it.

Using these solutions, client documents are consistently organized and bookmarked in a logical order that matches the tax preparation process—no matter who does the scanning. Simply click a bookmark to find any tax document.

It’s important to note as well that there are additional benefits beyond the tax preparation process. Firms can WOW clients by taking their shoebox of source documents and returning an organized electronic copy. Plus, the next time a client calls looking for last year’s W-2, any staff member can easily use the bookmarked PDF file to locate the document and fulfill the client request—so tax professionals can focus on higher value activities.

#### **4 IMPLEMENT DUAL MONITORS**

The days of the one-monitor desktop are coming to an end, and for tax professionals that have experienced a dual monitor setup, there is no going back. The value of being able to quickly view multiple programs and documents simultaneously cannot be overstated. With dual monitors, preparers can easily view a client’s current tax return side-by-side with the previous year’s return, source documents, and a point sheet for easy preparation and review. A wide range of affordable solutions is available, so firms can choose the package that is right for their firm. These solutions include dual monitor graphics cards for computers, laptop docking stations, and external graphics expansion modules like the Matrox® DualHead2Go.

**5 TRAIN YOUR TEAM ON THE PDF TOOLS AND PROCESS**  
Training can help staff get up the learning curve quickly and mitigate concerns surrounding the change in traditional processes. Tools like Acrobat Standard offer all the capabilities needed to easily tick mark, annotate, and review scanned tax documents. There are a number of third-party solutions that offer similar capabilities and they all offer free trials so firms can evaluate which one best meets their needs.

Where is training for PDF tools offered? Many State tax and accounting societies offer CPE classes on this subject. There are also many consultants that can help firms go

paperless, and there are free resources available on the Internet to guide firms through the transition. Finally, many of the tax and accounting trade publications and paperless tax solution providers, like Copanion, offer free whitepapers and webcasts from their websites that help firms learn how to use these tools effectively.

**6 CREATE A SINGLE LOCATION FOR STORING ELECTRONIC DOCUMENTS WITH CONSISTENT NAMING CONVENTIONS**  
There is no one “best” solution for digital file storage; it really depends on the needs of each firm. For some, creating organized, consistently named folders within a Windows® file folder is adequate. These firms create a shared Windows folder on their network and the folder is typically organized by client ID and tax year. For other firms, a professional document management system (DMS) is preferred. A DMS provides the advantage of tighter integration with tax preparation software. Regardless of which solution firms implement, the main benefit is that it becomes easy to find client documents because everything is in one location with consistently named files and folders.

These best practices provide firms with an excellent guide for implementing an automated, paperless tax processes. By moving away from manual tasks and eliminating paper, firms can save time, money, and resources—all of which translate to a healthy bottom line. Overall, streamlining the tax process and significantly reducing the use of paper, translates into unprecedented efficiency gains. Follow these six best practices to get your firm there.



*Ed Jennings is the former President and CEO. During his time with Copanion, he emerged as a voice in the tax and accounting profession, specifically in the areas of tax document automation, scanning, data security, and the paperless tax workflow. He has been featured as a content expert in several accounting trade publications and in USA Today. He has also been a featured speaker at events hosted by the AICPA.*



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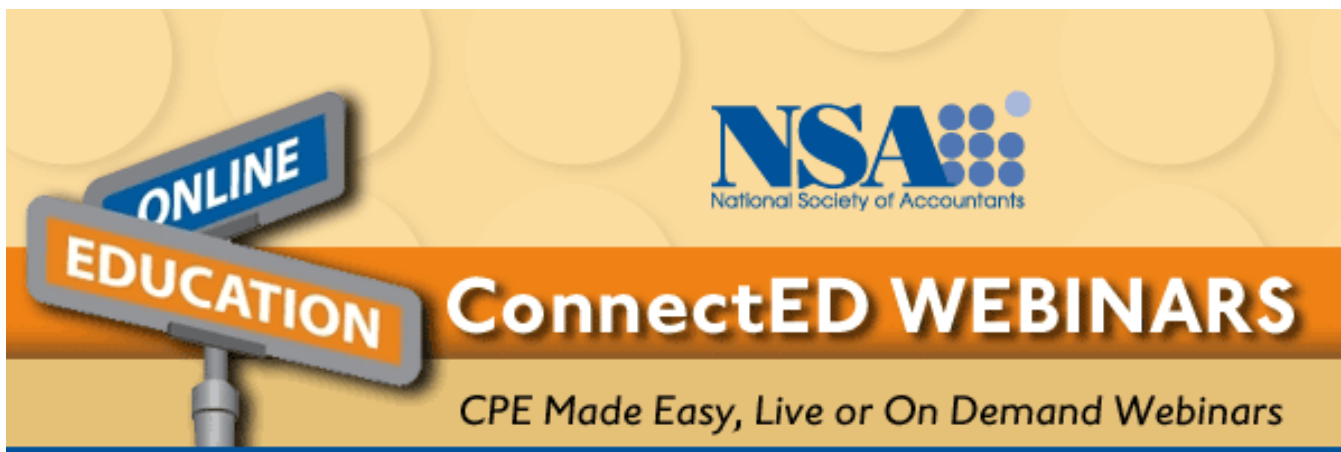
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#### Avoiding Ethical Violations

During 2011 the IRS announced major revisions to Circular 230. We all try to do the right thing but many of us have busy practices and those pressures may cause us to inadvertently face an ethical problem.

#### Ethics - Current Cases

A review of the current cases involving tax practitioners and unethical behavior. This session follows cases in the courts and OPR to show what types of problems the IRS is stopping. Learn how to report unethical tax preparers to OPR and the IRS.

#### Best Practices for Accountants and Tax Professionals

The rules for tax preparers are stricter than ever, and we need to protect ourselves while giving clients the best possible product. This informative session discusses methods you can use to make sure you are staying within Circular 230, while making life easy in the office, and still following the law.

#### Best Practices for Your Tax Practice

This session answers the questions as to how to retain your level of professionalism and still fulfill the needs of your clients, deal with those stringent situations, and more. It examines best practices to follow as examples in your everyday practice life.

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